



INFORMATION RELATIVE TO THE 1940 WHEAT SITUATION
September 2, 1939

AAA Wheat Program Aids U. S. Wheat Price

The world price of wheat at Liverpool on July 24, 1939, was only 48 $\frac{1}{4}$ cents a bushel, the lowest since 1592. Normally, the U. S. farm price is about 29 cents below the Liverpool price in years when United States exports are about 118 million bushels of wheat. If the U. S. wheat farm prices were as much below Liverpool as usual, wheat farmers would be receiving only 20 to 25 cents a bushel.

In the face of a world wheat situation which finds the world with a billion bushels more wheat than is needed, United States farmers, with the aid of the AAA program, are receiving a domestic price for wheat from 25 to 35 cents a bushel above the normal relationship to the world price. The following table shows the relationship of the Liverpool price to the average farm price in the United States from June 1938 through July 1939.

MONTH	AVERAGE U.S. FARM PRICE	AVERAGE LIVERPOOL PRICE	1/	DIFFERENCE
June 1938	69.7	100.7		- 31.0
July	60.8	92.2		- 31.4
August	50.7	84.7		- 34.0
Export subsidy and loan program announced				
September	52.5	79.0		- 26.5
October	52.2	73.4		- 21.2
November	52.0	66.5		- 14.5
December	53.6	59.9		- 6.3
Decrease winter wheat seeding indicated (Dec. crop report)				
Januaryy 1939	57.1	61.8		- 4.7
February	56.9	64.7		- 7.8
March	56.7	57.5		- .8
April	57.8	60.6		- 2.8
May	63.0	63.6		- .6
June	62.5	64.2		- 2.3
July	55.7	54.9	2/	+ .8

1/ Converted at monthly average rates of exchange.

2/ Average of eight daily quotations, July 1 to July 25, 1939.

World Supplies Largest on Record -- The 1939 world wheat production is now tentatively placed at 4,090 million bushels, excluding the production in Russia and China. While this production is 480 million bushels less than last year's record production, a carry-over on July 1, 1939 of 1,200 million bushels--double that of 1938--makes a prospective world wheat supply of 5,290 million bushels, the largest on record.

World disappearance of wheat for 1938-39 is about 4,000 million bushels. If the next year's disappearance continues on that level, July 1, 1940 will find another 1,200 million bushels carry-over.

Program Principal U. S. Price-supporting Factor -- The AAA wheat program, including the acreage adjustment, the wheat loan and the export subsidy, largely accounts for the relatively better position of the United States price.

An analysis by the Department of Agriculture in the "Agricultural Situation" states: "We can discern no appreciable effect of the United States wheat export subsidy upon the world price of wheat . . . Rather we feel fairly confident that its results have been mainly to increase domestic prices."

Farmers Adjust Acreage -- United States farmers reduced their seedings for 1939 by 19 percent under the year before. Spring wheat farmers reduced 22 percent and winter wheat farmers 18 percent. While the acreage of wheat seeded for harvest in 1939 was in excess of the 55,000,000 acreage allotment, the acreage actually being harvested will be about that amount.

Production 731 Million Bushels -- The August crop report estimates domestic wheat production in 1939 at 731 million bushels. This is 200 million bushels below the 1938 crop and is only slightly over the U. S. disappearance during 1938-39.

However, with a July 1, 1939 carry-over of 254 million bushels, of which 200 million bushels is hard winter and hard spring wheat, the total domestic supply is still more than ample.

Indications are that the carry-over next July will be reduced by about the amount of wheat which is sold for export during the current marketing year.

Loan Program Progressing -- In the fall of 1938 about 86 million bushels were placed under loan. Preliminary estimates from States for this year's program indicate considerably acre wheat going under the loan this year than last.

Features of this year's program, which is getting under way four to six weeks earlier, include a slightly higher loan rate in the Great Plains and the Pacific Northwest and an increased allowance for protein content in excess of 13 percent.

The Commodity Credit Corporation reports that it has received on August 18 a total of 69,042 loans completed; but many more are in the process

of being made. These loans were made on 45 million bushels of wheat and amounted to 33 million dollars.

Export Sales Total 118,054,000 -- The sales of United States wheat and flour for export totaled approximately 118,054,000 bushels for the fiscal year ending June 30, 1939. These sales include 90,163,000 bushels of wheat and 27,886,000 bushels of wheat in the form of flour. Of the total quantity sold, approximately 106 million bushels had been exported by June 30.

Sales of approximately 93,754,000 bushels of the 118 million bushels sold for export were assisted by the Federal export program. This number included 24,085,811 bushels in the form of flour and the rest as wheat. The cost to the Government of the export subsidy was \$25,700,000.

The Program Means Higher Farm Income -- Conservative estimates place the benefits of the wheat program at more than 20 cents per bushel on the estimated amount which would normally have been marketed during the months of the past marketing year in which the export and loan programs were in operation. If the present spread between the domestic farm price and the Liverpool price continues at about 30 cents per bushel above normal, the value of the present crop of 731 million bushels will be increased by at least 200 million dollars. The AAA cooperator will have benefited from a loan on his wheat and he will be eligible to receive 28 cents a bushel in parity and conservation payments. In other words, the AAA cooperator in the main wheat States will realize at least 80 to 90 cents a bushel for his wheat this year.

1940 Rate of Payment on Wheat to be Lower -- The ACP rate of payment will be lower in 1940. Preliminary estimates indicate the ACP and the parity payment in 1940 will be between 18 and 22 cents a bushel. Chief reasons for lower payment are:

(1) Larger Allotment -- In 1939 the national wheat acreage allotment was 55 million acres and the 1940 allotment is 62 million acres; consequently, the wheat money must be divided among more acres. Also, since the method used for distributing available money among basic crops takes into consideration the adjustment in acreage, the portion available to wheat will be less than in 1939.

(2) Greater Participation -- More participation in 1940 means that more producers will receive their part of the money going to wheat farmers. The participation in 1939 exceeded that of 1938, and 1940 participation will probably be even greater than in 1939.

The AA Act provides a definite formula for distributing the funds to the various crops; accordingly, the same method for distributing the funds will be used in 1940 as was used in 1938 and 1939.

Advances Aid in Insurance Drive -- Farmers who are participating in the 1940 Agricultural Conservation Program can now get advances on future payments to finance crop insurance premiums. Under the plan the AAA will pay direct to the Crop Insurance Corporation the amount of the crop insurance premium due for the grower. This amount then will be deducted from future ACP payments which may be earned by the grower. The request for the advance must be filed with the crop insurance applications.

The closing date for the acceptance of winter wheat crop insurance applications and the payment of premiums in the East Central Region has been announced by the Federal Crop Insurance Corporation as September 30.

In announcing the date, emphasis should be given to the fact that farmers can not apply for winter wheat crop insurance after the crop is seeded, and that the applications have to be on file in the county office before the closing date for the county.

INFLUENCE OF EUROPEAN CRISIS

Committeemen recently received statements by Secretary of Agriculture Henry A. Wallace and Administrator R. M. Evans relating to the present European crisis. The following information gives an indication of the probable effect on wheat of a European war:

- (1) In 1914 at the outbreak of the World War, the world had a wheat supply of 3,700,000,000 bushels. This year (1939-40) the supply of 5,300,000,000 bushels is the largest in all history. The present world surpluses are more than enough to supply a year's export needs.
- (2) Since the time of the World War, European countries have expanded their wheat acreage and production. They are now more self-sufficient in wheat production than at the opening of the World War.

WORLD WHEAT PRODUCTION OUTSIDE OF UNITED STATES (U.S.S.R. and China excluded)

Million Bushels, i.e., 000,000 omitted

1912 -- 2,410	1937 -- 2,987
1913 -- 2,378	1938 -- 3,641
1914 -- 1,987	1939 -- 3,402
1915 -- 2,511	
1916 -- 2,082	

- (3) The increased production and the tremendous reserve supplies of wheat stored by European countries in preparation for war make it probable that there will be little immediate increase in world wheat trade over that of the last few years.
- (4) Exports of wheat from the United States during the World War years reached a peak in the marketing year 1914-15 (the year when world production outside of the U. S. fell below 2 billion bushels). The exports then declined each year during the rest of the war.

UNITED STATES NET EXPORTS OF WHEAT
(Marketing year beginning July 1.)

1912-13	--	143,938,000 bushels
1913-14	--	146,306,000 bushels
1914-15	--	335,162,000 bushels
1915-16	--	239,591,000 bushels
1916-17	--	181,067,000 bushels
1917-18	--	102,775,000 bushels
1918-19	--	276,615,000 bushels

- (5) Wheat prices rose during the first year of the World War, but fell in the second year. The marked increase in wheat prices occurred during the general inflation that began in the third year of the War and ended in the price collapse and depression of 1921.

UNITED STATES FARM PRICE OF WHEAT

15TH OF THE MONTH	1914	1915	1916	1917
January	81.3	118.8	108.4	157.6
February	82.4	131.8	108.4	164.6
March	83.6	132.6	100.8	172.2
April	84.0	135.6	100.6	213.0
May	84.2	135.6	101.2	247.2
June	80.6	117.2	96.5	234.3
July	76.7	104.6	100.0	224.5
August	84.9	100.8	119.2	219.3
September	93.4	93.0	133.8	205.2
October	95.4	92.0	147.4	200.3
November	97.9	92.5	159.4	200.4
December	103.2	97.4	155.3	201.4

- (6) The United States in 1939 harvested a crop from 55 million acres, and for 1940 has a national wheat acreage allotment of 62 million acres--adequate for all prospective needs.

UNITED STATES WHEAT ACREAGE
(harvested)

1913	--	52,012,000	1938	--	70,200,000
1914	--	55,613,000	1939	--	55,000,000
1915	--	60,303,000	1940	--	62,000,000 (allotment or seeded basis)
1916	--	53,510,000			
1917	--	46,787,000			

- (7) To a July 1 carry-over of 254 million bushels, United States wheat farmers added a 1939 crop of 731 million bushels to make a supply of 985 million bushels. This compares with the average annual wheat supplies of about 913 million bushels for the period of 1923-28.

- (8) The acreage allotment at average yields will produce approximately 750 million bushels which would provide ample supplies for all domestic needs and all prospective exports and still leave on hand a carry-over near the present level.

In the present war crisis, the wheat farmers of the United States have reason to take stock of their position. They need to study calmly the facts of the situation in order to avoid hasty action which may lead to dislocation of their farm plant. They should bear in mind that the AAA wheat program is a flexible program able to make the necessary adjustments as fast as such adjustments are advisable.